

Committee: General Purposes Committee

Date: 16th September 2015

Agenda item:

Wards:

Subject: Vehicle Maintenance Follow up audit review

Lead officer: Caroline Holland – Director of Corporate Services

Lead member: Chair of the GP Committee

Forward Plan reference number:

Contact officer: Margaret Culleton Head of Internal Audit & Investigations

Tel. 020 8545 3149 margaret.culleton@merton.gov.uk

Recommendation:

1. To note progress made in response to the recommendations on the Vehicle Maintenance report
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1. Purpose of report and executive summary

- 1.1 This report sets out the results of Internal Audit's follow up review of Vehicle Maintenance.
- 1.2 The purpose of this review was to follow up progress made by management in implementing previous audit recommendations made in the audit originally carried out in September 2014.

2. Details

- 2.1 An Internal Audit review was carried out in September 2014, with a final audit report issued in February 2015 which concluded a limited assurance. There were 30 recommendations of which 12 were high, 16 medium and 2 low priority.
 - 2.2 The main concerns highlighted were:-
 - Non -Compliance with CSO
 - Contractor using workshop area for maintenance of own private vehicle.
 - Security of workshop and lack of stock control
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- Declaration of interest forms not completed
- Paper and electronic records incomplete or did not contain necessary information to identify the vehicle worked on, with little or no audit trail
- Testing found that some services were not carried out until up to six weeks after the scheduled service date and brake testing not always evident.
- The same faults were found to have been repaired by one particular contractor multiple times in a very short time period. In each case, the contractor recharged the Authority for the work.
- Disposal of Vehicles Procedure not followed

2.3 The Management Summary and summary of agreed actions were reported to General Purposes Committee on the 12th March 2015 at this time there were 26 of the 30 audit actions outstanding as the final report had only previously been issued in February 2015. The committee sought assurance that progress had commenced on the audit actions.

3. Follow up review

3.1 The purpose of this follow up is to provide assurance to members that that all recommendations previously made have been adequately implemented.

3.2 The officers responsible for the implementation of recommendations were interviewed to determine the status of agreed actions. Where appropriate, audit testing has been completed to assess the level of compliance and the controls in place.

3.3 In the opinion of Internal Audit, management has demonstrated satisfactory progress in implementing actions to address Internal Audit recommendations. The audit opinion has therefore been upgraded to **Satisfactory Assurance**.

3.4 In summary, of the recommendations contained in the original audit report:

- 23 have been fully implemented
- 7 are in progress (2 high and 5 medium risk)

3.5 Details of the 7 audit recommendations carried forward are in section 2 of the attached report along with the management response. These recommendations relate to the completion of the commissioning process, a clear audit trail for parts ordered and a stock recording system.

4 Alternative options

4.1 None for the purposes of this report.

5. Consultation undertaken or proposed

- 5.1 The Strategic Plan, Internal Audit Plan and Audit Charter have been agreed with Chief Officers who have consulted with their Management teams. Business Partners and Financial Advisors for each department have also been consulted. Customer Agreements are in place. The Head of Audit & Investigations has monthly meetings with the Director of Corporate Services to report upon progress against the Plan.
- 5.2 Audit briefs outlining the scope and objectives of each audit are agreed with the relevant manager prior to the audit commencing.
- 5.3 All audit reports are discussed with managers prior to issuing as a draft, further meetings are held if required and comments from the Manager and Head of Service/Assistant Directors are included in the final report.

6. Timetable

- 6.1. None for the purposes of this report.

7 Financial, resource and property implications

- 7.1 The planned work and unplanned work is undertaken within the budget allocated.

8. Legal and statutory implications

- 8.1 The Local Government Act 1972 and subsequent legislation sets out a duty for Merton and other councils to make arrangements for the proper administration of their financial affairs. The provision of an internal audit service is integral to the financial management at Merton and assists in the discharge of these statutory duties.

9. Human rights, equalities and community cohesion implications

- 9.1 The audit service helps to identify weak financial management and sometimes reflects weaknesses in other operational systems such as quality and ethnic monitoring. Audit, therefore, has a crucial role in ensuring that Council resources are used to enable a fair access to quality services.

10 Crime and disorder implications

- 10.1 There are no specific crime and disorder implications arising from this report.

11 Risk management and health and safety implications

- 11.1. The Audit Plan has a risk assessment formula built into the process. This takes such aspects as expenditure, income, and previous audit findings into account and calculates priorities and the frequency of the audit.
- 11.2. In addition to the audit risk assessment formula the Corporate Risk Register is consulted during the production of the Internal Audit Plan.
- 11.3. The Audit Brief at the beginning of the audit, and the internal audit reports at the end of the audit also identify risks. Audit Recommendations are categorised as high, medium or low priority in relation to the level of risk involved.

Appendices – the following documents are to be published with this report and form part of the report

- Appendix A- Internal Audit follow up report on Vehicle Maintenance

Background papers

Documents held in Internal Audit Files

Internal Audit

Follow Up Review of Vehicle Maintenance

Final Report

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1. Recommendations and Management Action Plan

1.1 Audit recommendations and management responses are shown in the table below:

<i>Original Audit Report: Final [Month/Date]</i>				<i>Follow Up</i>	
	<i>Original Recommendation</i>	<i>Risk H/M/L</i>	<i>Management Response / Implementation Date</i>	<i>Status</i>	<i>Comments/Recommendations</i>
R01	The Transport Services Commissioning Manager should receive a weekly report showing all recharges from the workshop to commissioning cost codes and this should include details of how the expenditure has been occurred and for which vehicles. This should give enough information to enable the Transport Services Manager to monitor expenditure against the SLA's in place.	Medium	A weekly invoice report is now circulated to the Commissioning Manager and the Transport Services Manager	Complete	This recommendation has been implemented and the Commissioning and Business Support Manager now receives a full weekly report of all recharges with system printouts to support these figures. The reports are checked and signed off by the Transport Services Manager.

R02	<p>Contract specifications must be drawn up with the assistance of Commercial Services as a matter of urgency for all works that are not carried out by LBM staff whether on or off site, and all supplies that are regularly obtained for the workshop, stock or repairs. Tenders must be sought and contracts must be drawn up with the winning tender for each service / supply for a fixed period, and must be re-tendered at the end of that fixed period.</p> <p>Each contract should include an agreed schedule of rates for all types of work that may be carried out.</p>	High	<p>Specifications are being drawn up for Electrical work, air conditioning, tyres and welding/fabrication. Other specifications, including spares and consumables, will be drawn up in the New Year. The tender process for the initial phase will be started after the Christmas break. Go live date is not yet identifiable as we are unsure how long the procurement process will take. Further advice is being sought from the Procurement team.</p> <p>Procurement process for spares and consumables will be started before the end of the financial year. Go live date as yet unknown.</p>	On-going	<p>Progress has been made with the implementation of this recommendation. Contract specifications have been drawn up and invitations to tender have been advertised for the welding and auto electrical work.</p> <p>Framework agreements have been set up and are now being used for six other types of work as well as vehicle contract hire and self-drive vehicle hire.</p> <p>Further work is required in this area in order to fully implement Internal Audit's recommendations and the Commissioning and Business Support Manager is working with a Commercial and Procurement Advisor in order to ensure that Contract Standing Orders are properly followed.</p>
R03	<p>The Office of the Traffic Commissioner should be contacted and given details of the correct information that should be stated on the Operator's Licence.</p>	Low	<p>Completed. New Transport Services Manager appointed 24/11/14. Formal application to appoint as Transport Manager for O' Licence, filed with Traffic Commissioner 2/12/14.</p> <p>Further information as requested by TC to be filed before Christmas break.</p>	Complete	<p>Further information was duly filed and has been accepted by the TC. The TSM is now officially on record as Transport Manager</p>

R04	The workshop should not, under any circumstances, be used by staff or contractors to carry out any work on any vehicle that is not owned or leased / hired by LBM.	High	Noted. Notice prepared and displayed in workshops area. Maintenance Manager to remind fitters and monitor.	Complete	
R05	Original liability insurance certificates must be obtained from all contractors who use workshop facilities. These should be photocopied and kept on file. This process should be carried out when the insurance is renewed and on an annual basis thereafter.	High	Done for 2014. Letter sent to Contractors reminding them of on-going requirement. Maintenance manager monitoring.		<p>During the follow-up review, the Auditor checked all copies of liability insurance certificates on file and checked them to ensure that they were still valid.</p> <p>Out of a total of thirty-five contractors, twenty-eight company liability insurance certificates had expired.</p> <p>The liability insurance certificates for three contractors were not on file, however two had been stated on a monitoring spreadsheet as having expired on 24/07/15 and 27/07/14 respectively and the other as having not been received.</p> <p>.</p>

R06	<p>Keys to the workshop should be restricted to essential specified members of staff and this should be recorded and kept on file. Under no circumstances should non-employees have keys to the workshop. Likewise the alarm code should be restricted to the same essential specific members of staff and should be changed by a senior member of staff at least twice per year. Temporary members of staff should not be provided with keys to the workshop nor should they be given the alarm code.</p> <p>A record of who unlocks and locks the workshop and of who sets and turns off the alarm each day should be kept. This information may be required by police and insurance in the event of a break-in.</p> <p>All contractors entering the workshop should sign in and out and this record should clearly show the date, their full name, their company, their signature, the time in and the time out.</p>	High	<p>Signing in book in place and use is being monitored.</p> <p>All contractors reminded of need to sign in and out.</p> <p>Alarm system upgraded to work with designated Merton Fobs only.</p> <p>List of Fob holders shared with police.. Alarm system automatically records who turned on/off alarm.</p> <p>A list of key holders is being prepared.</p> <p>A further training session regarding the operation of the alarm is being arranged.</p>	Complete	<p>The weaknesses stated above have all been rectified. Contractors are no longer permitted access to offices, the file room or the workshop and the faulty keycard access box has been replaced.</p> <p>The alarm has been upgraded and staff have been issued with fobs that, when used to turn the alarm on or off, record details of who had done this. A list of staff that have fobs and workshop keys is maintained by the Fleet Maintenance Manager, and the alarm security company that maintain the alarm have also been provided with this information.</p> <p>A new signing in/out book is in place and contractors and other visitors appear to be completing all of the required information.</p>
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R07	<p>All staff must complete and sign declaration of interests forms annually, declaring all relationships or other connections that they or members of their families have with staff, contractors and / or their families, and suppliers.</p> <p>At no time should any staff member who has any connection to a contractor be involved with any work carried out by that contractor or supplier, including obtaining quotations, offering them work, ordering, authorising, signing worksheets, or any other aspect related to any work carried out by them.</p>	Medium	Declaration of interest forms to be circulated.	Outstanding	<p>The Transport Services Manager stating that declaration of interest forms would be circulated. New completed forms could not be located at the time of the follow-up audit review.</p> <p>The TSM is requesting all staff to re-sign declarations, and a scanned copy will this time be kept when forwarding them to the Civic.</p> <p>Because of the nature of the work carried out and the length of time that many of the staff have been in post, it is not possible to completely exclude “any staff member who has any connection to a contractor” from being involved with “any work carried out by that contractor or supplier”, but arrangements have been put in place to ensure that staff with potential conflicts of interest are excluded from contract evaluations and awards of contracts.</p>
R08	Access to the disposals spreadsheet and the disposal handover sheets should be restricted to named officers. All disposal handover sheets must be signed and dated by the Transport Services Commissioning Manager.	Medium	Transport Services Commissioning Manager has been replaced by Transport Services Manager. Process in place for all disposals to be carried out by Commissioning Manager	Complete	

R09	Job sheets for work carried out in the workshop should only be signed off by the Fleet Maintenance Manager who manages the workshop and its staff and oversees the work carried out in the workshop. In his absence, they should be signed off by the Operational Transport Services Manager. Job sheets must not be signed off by an officer who does not oversee work carried out in the workshop and / or is not qualified to certify the work carried out.	Medium	Maintenance Manager to sign off job sheets from 01/12/14, and Transport Services Manager (registered Transport Manager on O' Licence) to sign in his absence.	Complete	Job sheets currently being signed off by TSM.
R10	Overtime sheets for work carried out in the workshop over and above contracted hours should only be authorised by the Fleet Maintenance Manager who manages the workshop and it's staff and oversees the work carried out in the workshop. In his absence, they should be authorised by the Operational Transport Services Manager. Overtime sheets must not be authorised by an officer who does not oversee work carried out in the workshop.	Medium	Maintenance Manager to sign off overtime claims from 01/12/14, and Transport Services Manager to sign in his absence	Complete	
R11	Cost codes J01374, J01376 and J01378 should be closely monitored through the year to ensure that spending is kept within budget allowances.	High	Each cost code relates to a different work team. Regular Team Leader meetings are now in place. Budgets form a regular part of the agenda.	Complete	

R12	Consideration should be made to purchasing auto electrical diagnostics software in order to put forward a long term saving	Medium	Maintenance Manager preparing business case to inform a procurement process; business case due by end of December 14.	Complete	This has now been purchased. Basic training has been given to all fitters so that they are able to use the equipment although further (advanced) training will be required to enable them to make best use of all functions.
R13, 14, 16, 17	No jobs should be carried out unless defect sheet has been fully completed by the driver of the vehicle, the work has been identified as required during a service or a separate written request is made for work for another reason. A job sheet must be completed and filed for all work carried out. The job start and completion date must be the same as or after the date that a request for work was received.	Medium	Agreed. Maintenance Manager to remind fitters and monitor Letter sent to contractors to remind them of requirement	Complete	There are still odd occasions where defect sheets are not presented. TSM is following this up. Where defect sheets are not available, TSM will contact service managers to confirm the requirement for the work and completion of work, and to remind of the need for defect reports. Copies of e mails are attached to job sheet
R15 (+27)	Correction fluid must not be used on any job sheets, default sheets or any other paperwork relating to work carried out or due to be carried out. Any errors should be neatly crossed out and the correction written next to it. All crossed out errors should still be readable.	Medium	Agreed. Maintenance Manager to remind fitters and monitor	Complete	Testing on a sample of job and default sheets found no correction fluid used Fitters and workshop team have again been reminded of this and a memo was sent to all fitters to ensure consistent standards.
R18	If a job is carried out on a vehicle by a contractor and is then returned with the same fault, the contractor should be informed and held responsible for the previous repairs, and the work should be rectified at no extra charge to LBM. All contractors must be informed prior to starting work that this is a requirement by LBM on all work that they carry out.	High	Letter sent to contractors to remind them of requirement	Complete	This will also be built into the new contracts as they go live.

R19	The fleet number of every vehicle that is worked on or parts ordered for must be stated on all orders in order to maintain an adequate audit trail. Where parts are ordered for stock, this should be clearly stated on the order.	Low	Agreed. Maintenance Manager to remind fitters and monitor. Letter sent to contractors to remind them of requirement	Outstanding	A new sample of five orders and twenty-four invoices was recently taken for this follow-up audit. These related to work carried out on thirty-five vehicles, six stock items and two items of expenditure for which the reason was not stated on the invoices. Whilst most suppliers stated a fleet number or vehicle registration number on their invoices, it was found that neither the fleet numbers or vehicle registration numbers were stated on any orders and it was therefore not possible to easily match them to invoices. Similarly, if items had been ordered for stock, this was not stated on any orders.
R20	The electrician must be contacted and informed that his invoices do not meet HMRC standards and that London Borough of Merton cannot reclaim VAT on these invoices.	Medium	Agreed. Letter sent to contractors to remind them of requirement. Letter states that invoices not in correct format will be refused and returned for amendment.	Outstanding	Four out of six invoices in the sample were found not to state the address of the Authority and do not therefore meet HMRC standards
R21	The invoice log must be updated to include fleet numbers of vehicles for all invoices paid. If parts have been ordered for stock, this should be clearly stated on the invoice log. A copy of the updated invoice log for 13/14 and 14/15 should be forwarded to Internal Audit.	High	This is now in place for all current and future invoices. A plan is in place to retrospectively enter this information on all pre-existing entries. Estimated date of completion is 01/03/15	Complete	Previously a very large number of invoices had been received and paid for which there was no detail of the fleet number or registration number of the vehicle on the invoice log or on any other paper or electronic record. It was unclear as to which vehicles the work has been carried out on, or parts ordered for. The Auditor retested this area during the follow-up audit review and found that the invoice log is now completed in full with all relevant information.

R22	<p>DVLA rules and regulations must be adhered to when disposing of vehicles as scrap metal. Only scrap metal merchants that are registered as an Authorised Treatment Facility can be used to dispose of vehicles. Scrap metal merchants that are not registered as an Authorised Treatment Facility must not be used under any circumstances.</p>	High	<p>Process in place for all disposals to be carried out by Commissioning Manager.</p>	Complete	<p>This area could not be retested during the follow-up audit as there had not been any further vehicles disposed of as scrap. However, the Vehicle Disposal Policy has been updated to ensure that controls are in place to prevent vehicles being disposed of improperly.</p> <p>Information is gradually being posted to the Intranet to ensure that all departments have access to the policies and procedures. A “home page” has been created as a base for this. Although disposals and scarp are not yet there, they will be soon.</p>
R23	<p>All service job sheets should clearly and separately state the service schedule date, the service start date (which should be the exact date that servicing on the vehicle actually starts) and the service or job completion date (which should be the exact date that all servicing and any other necessary work has been completed on the vehicle). These dates must not be falsified under any circumstances.</p>	Medium	<p>Agreed. Maintenance Manager to remind fitters and monitor.</p>	Outstanding	<p>This recommendation has not yet been implemented; however, a meeting has been arranged with TRACE in order for them to make the necessary changes to the system.</p>

R24/ 25	Brake (and emission) tests must always be carried out at every service and within the specified service period, and the date that each brake test is done should be clearly within the service start and completion dates stated on the relevant job sheet. The photocopying of a brake test printout must never be taken and attached to a service job sheet for which a brake test was not carried out.	High	Agreed. Maintenance Manager to remind fitters and monitor.	Complete	A new sample of eleven recent service records and two recent pre-delivery inspection records was reviewed. The brake and emissions tests had been carried out correctly on all thirteen vehicles, all had been signed off correctly by the Transport Service Manager.
R26	All service job sheets must be signed off and this must be by the Fleet Maintenance Manager or, in his absence, the Operational Transport Services Manager.	Medium	Maintenance Manager to sign off job sheets from 01/12/14, and Transport Services Manager to sign in his absence	Complete	Testing founds all defect sheets were attached (where it was not for a service or other written request for work) and all job sheets were available.
R28	If a service cannot be carried out on the scheduled date, this should be noted on the job sheet and the actual date that it was carried out must be stated. Services must always be carried out, even if a lack of resources means that they have to be carried out late. Job sheets must never be falsified in any way. There should be a clear audit trail on each job sheet that shows when a service is scheduled, what dates it actually took place from and to, and who completed all aspects of the service. Job sheets must be signed off by either the Fleet Maintenance Manager or, in his absence, the Operational Transport Services Manager.	High	Agreed. Maintenance Manager to remind fitters and monitor.	Complete	

R29	A secure stock control system must be put into place and this should include a complete inventory of parts in stock. A record should be held that shows a description of each part removed from stock, the date it is removed, who has removed the part (name printed and signed) and the fleet number of the vehicle that the part is required for, and the stock control system should be updated from this record daily.	High	TRACE system is to be upgraded to accommodate stores and stock. Go live date not yet identifiable. RHM to contact TRACE to discuss timescales.	On-going	A secure stock control system using the TRACE system is in the process of implementation. Meetings between LBM IT Services and TRACE have taken place and a bar code system is in the process of being set up. Bar codes have been attached to some stock and readers have been provided, however, Transport Services are awaiting a new computer for the store room in order to fully implement the system. The Auditor was informed by the Commissioning and Business Support Manager that six-monthly stock checks will be carried out once the system is up and running.
R30	Platinum Plus Oil bottles should be stored securely in the parts room. A record should be held that shows the number of Platinum Plus Oil bottles in stock at any one time. This record should also include details showing each bottle removed from stock, the date it is removed, who has removed it (name printed and signed) and the fleet number of the vehicle that the Platinum Plus Oil is required for. The stock control system should be updated from this record daily.	High	Bottles have been moved to store. Will be included on TRACE as soon as the system allows. In the meantime a manual system is in place	Complete As per R29	

2. Recommendations and Management Action Plan

2.1 Audit recommendations and management responses are shown in the table below:

	<i>Recommendation</i>	<i>H/M/L</i>	<i>Management Response</i>	<i>Action by/ Target date</i>
R01	A written contract or agreement should be put in place for each of the remaining contractors who do not yet have these, and these should be monitored accordingly (previously R02).	High	The framework agreement for the supply of tyres is due to go live on 1 st September 2015. The welding contract goes live on 14 th September 2015. Evaluation of the auto electrical tender is scheduled for 8 th September, and subject to award, the new contract is anticipated to go live by the end of September 2015	31/12/15
R02	Original current liability insurance certificates must be obtained from all contractors who use workshop facilities. These should be photocopied and kept on file. This process should be carried out when the insurance is due for renewal and on an annual basis thereafter (previously R05).	Medium	<p>A letter was sent to all contractors in December 2014 stating that we require evidence of their liability insurance.</p> <p>I am disappointed to find that some are still outstanding.</p> <p>I will send another letter to contractors. This is managed by the Fleet Maintenance Manager who has only just returned to work following a long period of absence.</p> <p>A further trawl has been sent out to all contractors and suppliers who use the workshop facilities. The Workshop Supervisor is recording the certificates as they are presented and is maintaining the spreadsheet record. The Fleet Maintenance Manager is now back in post and will monitor this</p>	30/09/15
R03	All staff must complete and sign declaration of interests forms as a matter of urgency, declaring all relationships or other connections that they or members of their families have with staff, contractors and / or their families, and suppliers. At no time should any staff member who has any	Medium	<p>New forms were circulated to staff in January 2015 but there is no record of this at the Civic Centre.</p> <p>I will recirculate new forms and ensure that</p>	30/08/15

	<p>connection to a contractor be involved with any work carried out by that contractor or supplier, including obtaining quotations, offering them work, ordering, authorising, signing worksheets, or any other aspect related to any work carried out by them.</p> <p>Completion of declaration of interest forms must be done by all staff annually (previously R07).</p>		<p>copies are kept with Transport Services</p> <p>The TSM is requesting all staff to re-sign declarations, and a scanned copy will this time be kept when forwarding them to the Civic.</p> <p>Because of the nature of the work carried out and the length of time that many of the staff have been in post, it is not possible to completely exclude "any staff member who has any connection to a contractor" from being involved with "any work carried out by that contractor or supplier", but arrangements have been put in place to ensure that staff with potential conflicts of interest are excluded from contract evaluations and awards of contracts</p>	
R04	<p>The fleet number of every vehicle that is worked on or parts ordered for must be stated on all orders in order to maintain an adequate audit trail. Where parts are ordered for stock, this should be clearly stated on the order (previously R19).</p>	Medium	<p>Staff are now aware of how to annotate fleet numbers on orders and this will be done in future Orders at the workshop end did have this detail on them, but we were unable to record the information on Proactis.</p> <p>We have now been shown a different way of raising orders on Proactis which means that fleet numbers, etc. now show up on order summaries</p>	31/8/15- now complete
R05	<p>JT must be contacted and informed that their invoices do not meet HMRC standards and that London Borough of Merton cannot reclaim VAT on these invoices. A request should be made to JT to ensure that all information as required by HMRC is stated on all of its invoices.</p> <p>Invoices that do not meet HMRC standards should be promptly returned to suppliers with a request that they be changed before payment will be paid (previously R20).</p>	High	<p>I will remind all contractors, including JT that all invoices must have the full LBM address on them and meet HMRC standards. The electrician's invoices do now comply. It is a different contractor who has slipped from the standard. We have contacted the contractor concerned.</p> <p>We require a check list and training for the staff dealing with invoices so that they can check all invoices and reject those which do not comply.</p>	31/08/15- now complete
R06	<p>All service job sheets should clearly and separately state the service schedule date, the service start date (which should be the exact date that servicing on the vehicle actually starts) and</p>	Medium	<p>In order to move forward from where we are requires a complete redesign of our job sheets. We are working with TRACE in order to deliver this recommendation</p>	31/01/16

	the service or job completion date (which should be the exact date that all servicing and any other necessary work has been completed on the vehicle) (previously R23).		The "start date" currently on the job sheets is in reality the work due date. Work is being carried out on TRACE to add additional date fields to the job sheets to clarify things..	
R07	IT Services should be contacted in order to establish when a new computer can be provided for the stock control system (previously R29).	Medium	We currently have issues with power sockets in the store room. We are working with TRACE, IT Services and Facilities Management in order to resolve this issue. We will then be able to implement this recommendation	31/10/15

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